

## Message Text

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PAGE 01 STATE 020236  
ORIGIN SS-25

INFO OCT-02 ISO-00 SSO-00 /026 R

DRAFTED BY OES/NET/EIC: D H COOPER

APPROVED BY OES/NET: L V NOSENZO

DOE/IA: G HELFRICH

EA/ROC: H FELDMAN

IO/SCT: A JILLSON

ACDA: J MENZEL

OES/NET/EIC: D B HOYLE

S/S SGOLDSMITH

-----012727 252135Z /64

P 252044Z JAN 78

FM SECSTATE WASHDC

TO AMEMBASSY VIENNA PRIORITY

AMEMBASSY TAIPEI PRIORITY

S E C R E T STATE 020236

EXDIS USIAEA

E.O. 11652: XGDS-3

TAGS: MNUC, IAEA, TW

SUBJECT: ROC NUCLEAR DEVELOPMENTS

REFS: A. VIENNA 00297; B. STATE 009239

1. REPRESENTATIVES OF ACDA (MENZEL), DOE (HELFRICH), AND DOS (FELDMAN AND COOPER) MET WITH DR. VICTOR CHENG, SECRETARY-GENERAL OF CAEC, AND ROC EMBASSY COUNSELOR FOR SCIENCE AND TECHNOLOGY SUNG ON JANUARY 18. PURPOSE OF MEETING, WHICH WAS ARRANGED AT CHENG'S REQUEST, WAS TO REVIEW CHENG'S CURRENT THINKING WITH RESPECT TO ACCEPTABLE ARRANGEMENTS FOR PLACING ALL ROC NUCLEAR MATERIALS, FACILI-

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TIES AND EQUIPMENT UNDER US-ROC-IAEA SAFEGUARDS TRANSFER AGREEMENT (STA). CHENG CAUTIONED US THAT HE WAS SPEAKING COMPLETELY UNOFFICIALLY AND EMPHASIZED THAT HIS AIM WAS TO EXPLORE POSSIBILITIES WHICH MIGHT BE SUBSEQUENTLY PURSUED ON AN OFFICIAL BASIS.

2. CHENG BEGAN WITH A STATEMENT OF HIS CONCERNS OVER

PROPOSED JOINT IAEA NOTIFICATION PROCEDURE, CENTERING ON POSSIBILITY THAT PROPOSED PROCEDURE MIGHT LEAD TO PROBLEMS WITHIN IAEA OVER CONTINUED AND EXPANDED APPLICATION OF IAEA SAFEGUARDS IN TAIWAN. CHENG WENT ON TO SUGGEST THAT THERE WAS NO NEED FOR AN EXCHANGE OF LETTERS AS SOUGHT BY THE U.S. AND PROPOSED, INSTEAD, A DOUBLE ENTRY INVENTORY

PROCEDURE UNDER A NEW, SINGLE, SUBSIDIARY ARRANGEMENT IN CONJUNCTION WITH THE IAEA'S PACE PROGRAM.(PACE PROGRAM IS AN ONGOING IAEA EFFORT TO BRING SUBSIDIARY ARRANGEMENTS FROM VARIOUS NON-NPT SAFEGUARD AGREEMENTS WITH ANY GIVEN COUNTRY UNDER THE UMBRELLA OF SINGLE MODEL SUBSIDIARY ARRANGEMENT.) ON THE RELATED ISSUE OF APPLICATION OF IAEA SAFEGUARDS TO NEW INDIGENOUS OR NON-US SUPPLIED FACILITIES, CHENG STATED (1) VIRTUALLY ALL NEW NUCLEAR FACILITIES WOULD INVOLVE AT LEAST SOME U.S.-SUPPLIED MATERIALS AND THUS FALL UNDER THE TRILATERAL SAFEGUARDS AGREEMENT AND (2) ACQUISITION OF A WHOLLY INDIGENOUS OR NON-US SUPPLIED FACILITY (E.G., A CHINESE CANDU) IS NOT POSSIBLE IN VIEW OF THE ROC'S NPT OBLIGATIONS ON ONE HAND AND ABSENCE OF A "RELEVANT" ROC/IAEA SAFEGUARDS AGREEMENT ON THE OTHER. CHENG SAID THAT THE POSSIBLE "LOOP-HOLE" OF THE ROC USING ITS PRESENT UNILATERAL SUBMISSION AGREEMENT WITH IAEA FOR NON-TRR RELATED FACILITIES AND ACTIVITIES COULD BE CLOSED BY FUTURE U.S. INSISTENCE WITHIN IAEA ON THE APPLICATION OF SAFEGUARDS ONLY WITHIN THE LIMITED SCOPE  
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OF THE EXISTING ROC/IAEA AGREEMENT. U.S. REPS DID NOT PROVIDE CHENG WITH ANY ENCOURAGEMENT AS TO THE POSSIBLE ACCEPTABILITY TO THE U.S. OF HIS UNOFFICIAL SUGGESTION, BUT DID INDICATE THAT ANY OFFICIAL ROC COUNTERPROPOSAL WOULD BE GIVEN SERIOUS CONSIDERATION.

3. WITH RESPECT TO ARRANGEMENTS FOR REMOVAL OF IRRADIATED TRR SPENT FUEL FOR STORAGE OUTSIDE OF TAIWAN, CHENG STATED THAT BECAUSE OF SOME ROC CONCERN OVER ASSUMING RESPONSIBILITY FOR SUCH MATERIAL WHILE IT IS IN TRANSIT THE ROC MAY WISH TO SELL IT TO THE U.S. "FOR A LOW PRICE" AND DELIVER IT TO US AT A PORT IN TAIWAN. U.S. REPS RESPONDED TO EFFECT THAT, WHILE U.S. LOOKED FORWARD TO REMOVAL OF IRRADIATED TRR FUEL FROM TAIWAN IN THE RELATIVELY NEAR FUTURE, THE EXISTING INTERIM ARRANGEMENT FOR DRY STORAGE OF SUCH FUEL ON TAIWAN UNDER IAEA SAFEGUARDS ALLOWED TIME FOR U.S. TO WORK OUT MUTUALLY ACCEPTABLE ARRANGEMENTS FOR ACCOMPLISHING SUCH REMOVAL.

4. RE TRR OPERATION, CHENG INFORMED US HE HAD HELD DISCUSSIONS WITH IAEA OFFICIALS DURING HIS RECENT VISIT TO VIENNA CONCERNING THE IMPLEMENTATION OF UPGRADED IAEA

SAFEGUARDS ON THE TRR, WHICH THE ROC NOW ANTICIPATES RESTARTING ON NATURAL URANIUM FUEL AS SOON AS U.S. APPROVAL IS RECEIVED. CHENG WAS UNDER IMPRESSION THAT U.S. APPROVAL OF TRR START-UP WAS DEPENDENT ON RESOLUTION OF JOINT NOTIFICATION ISSUE MENTIONED IN PARA 2ABOVE; ALTHOUGH WE CONSIDER THESE TO BE SEPARATE ISSUES, U.S. REPS DID NOT COMMENT ON CHENG'S IMPRESSION. SUBSEQUENTLY,

THE ROC PLANS TO STUDY THE POSSIBILITY OF CONVERTING THE TRR TO OPERATION ON LOW ENRICHED URANIUM. WITH RESPECT TO THE SPECIFIC SAFEGUARDS ARRANGEMENTS AT THE TRR, CHENG INDICATED THAT THE QUESTION OF WHETHER IT WOULD BE POSSIBLE FOR IAEA TO VERIFY BY MEASUREMENT THE LOADING OF THE SPENT FUEL PRESENTLY IN WET STORAGE (THE LAST FULL CORE) WAS NOT  
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CLEAR FROM THE U.S. NOTE. U.S. REPS STATED THAT ANY TRR FUEL LOADING, TO OCCUR IN THE PRESENCE OF AN IAEA INSPECTOR, SHOULD PREFERABLY BE WITH FRESH FUEL OR WITH IAEA-MEASURED LOW-BURNUP SPENT FUEL. CHENG APPEARED TO ACCEPT THIS CLARIFICATION.

5. FINALLY, WITH REGARD TO TAIPOWER'S NUCLEAR POWER PROGRAM, CHENG SAID THE FIRST UNIT IS UP TO ABOUT 50 PERCENT FULL POWER AND, IF AN ONGOING CAEC SAFETY REVIEW GOES SMOOTHLY, IT IS LIKELY THAT THE ROC WILL ISSUE CONSTRUCTION PERMITS FOR UNITS 5 AND 6 BY APRIL OF THIS YEAR. IN THIS CONNECTION, U.S. REPS STATED THAT WESTINGHOUSE HAD EXPRESSED HOPES OF RECEIVING AN NRC LICENSE TO EXPORT THE PRESSURE VESSEL FOR UNIT 5 BY APRIL IN ORDER TO AVOID STORING IT IN THE U.S. AT CONSIDERABLE EXPENSE (OVER DOLS. 200,000), UNTIL SUCH TIME AS IT WAS ACTUALLY NEEDED IN TAIWAN. CHENG RESPONDED THAT HE UNDERSTOOD TAIPOWER WOULD BE FINANCIALLY RESPONSIBLE IF VESSEL COULD NOT BE SHIPPED TO TAIWAN WHEN IT IS READY AND, CONSEQUENTLY, THE ROC ALSO HOPES THAT U.S. EXPORT APPROVAL WILL BE FORTHCOMING WITHOUT DELAY. U.S. REPS RESPONDED TO EFFECT THAT, WHILE WE COULD FORESEE NO PARTICULAR PROBLEM IN THIS REGARD, IT WOULD BE HELPFUL IN EXECUTIVE BRANCH DISCUSSIONS WITH THE NRC IF THE ROC WERE TO MAKE A PUBLIC ANNOUNCEMENT, OR APPROVE OUR RELEASE OF A SUITABLE UNCLASSIFIED STATEMENT RE RECENT ACTIONS TAKEN TO REDUCE PROLIFERATION RISKS ON TAIWAN. CHENG APPEARED TO APPRECIATE THIS POINT AND INDICATED THAT ROC WOULD BE IN COMMUNICATION WITH THE U.S. EMBASSY IN TAIPEI ON THIS AND RELATED MATTERS IN NEAR FUTURE. VANCE

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## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014